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FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

A broadened definition of bank capital used in determining adequacy of capital was recently recommended to the three bank regulatory agencies represented on the Council: Comptroller of the Currency, Federal Reserve Board and Federal Deposit Insurance Corporation. A Council press release described the recommendation as one intended to promote uniformity among federal bank regulators and said that the definition consisted of two elements, primary and secondary capital. Primary capital would consist of common and perpetual preferred stock, surplus and undivided profits, contingency and other capital reserves, mandatory convertible instruments and all allowances for possible loan losses. Secondary capital would consist of limited-life preferred stock and subordinated notes and debentures. In addition, secondary capital would be limited to no more than 50 percent of primary capital and financing instruments in secondary capital would be phased out as they approached maturity. The Council recommended that the agencies take action on the recommendation by 12/7/81, in determining the adequacy of capital in banks which they supervise.

FEDERAL RESERVE BOARD

Bank accounting rules which would replace the existing system of "lagged reserve accounting" with a "contemporaneous reserve accounting" system were recently proposed by the Board. The change, which would apply only to banks with deposits of $15 million or more, would shorten from two weeks to two days the time between calculations by banks of their transaction deposits and the time the banks post reserves against such deposits. The proposal is intended, according to Board staff, to aid in reducing inflation by providing quicker and more precise control over the money supply. Comments are requested by 1/15/82. For additional information contact David Lindsey at 202/452-2601.

OFFICE OF FEDERAL PROCUREMENT POLICY

Comments on the new draft proposal for a Federal Procurement System are being sought by the OFPP. This new draft differs from the 10/80 proposal in two principal areas, according to OFPP. (1) It is "system" oriented rather than "issue" oriented. It focuses on the procurement and management system instead of procurement issues. (2) The 1980 proposal included supply as an integral part of the procurement process. There is a close relationship between supply and procurement since both functions must work together, however, supply is a separate discipline. Therefore, the new proposal only addresses the necessary interface between procurement and supply in describing and filling needs. Key provisions offered in the new draft include: providing a model procurement statute; establishing a single, government-wide procurement regulation (The Federal Acquisition Regulation) and; streamlining the central management structure and clarifying lines of authority. In addition to the request for comments, public meetings on the proposal will be held in Cambridge, MA, St. Louis, and San Francisco on 11/30 and in Washington, D.C. on 12/1. Comments are requested by 12/2. For additional information contact OMB at 202/395-3080.

SECURITIES AND EXCHANGE COMMISSION

Commissioner Philip A. Loomis, Jr. recently announced he plans to retire from the Commission within the next six months. Mr. Loomis, 66, has been a Commissioner since 1971. According to Commissioner Loomis, "I've been with the Commission for many years, and it seems to me that the time has come for me to step down." His current five year term will expire 6/5/84. Mr. Loomis joined the Commission's staff as a consultant in 1954. He was appointed Director of the Division of Trading and Exchanges in 1955 and became General Counsel of the Commission in 1963. Recognized for his expertise in the securities laws, Mr. Loomis played key roles in drafting much of the securities legislation of the last several decades, including the 1960 amendments to the Investment Advisors Act, the Securities Act Amendments of 1964, the Securities Investor Protection Act of 1970 and the Securities Acts Amendments of 1975.

TREASURY, DEPARTMENT OF

Easier access to IRS information from corporate books and records based on the theory that corporations "may not have privacy interests of equal importance" to private individuals, was supported in a joint statement by IRS Commissioner Roscoe L. Egger, Jr. and David G. Glickman, Deputy Assistant Secretary of the Treasury for Tax Policy on 11/9/81. Appearing before the Senate Finance Committee's IRS Oversight Subcommittee, Egger supported the Administration's position that IRS information from corporate books and records could be obtained by the Department of Justice upon request or furnished to it by the IRS on its own initiative under limited circumstances where evidence of nontax crime was present. Access to IRS information obtained from an individual's books and records for nontax related criminal purposes would continue to require a court order in most cases. If, however, the IRS referred an individual's case to the Department of Justice with a recommendation for criminal tax prosecution, then according to the joint statement, the taxpayer's return and everything else in his file could be made available for nontax criminal law enforcement purposes.

Temporary regulations relating to the special rules for leasing under the Economic Recovery Tax Act of 1981 dealing with sale of tax benefits were recently issued by the IRS (see the 12/31/81 Fed. Reg., pp. 56148-51). The temporary regulations which amend regulations issued 10/20/81 (see the 10/26/81 Wash. Rpt.), provide that transactions occurring under the new safe harbor provisions would stand even though the firm actually transferring the tax breaks and utilizing the property enters into bankruptcy or similar legal proceedings. Under the 10/20/81 regulations, such bankruptcy proceedings would disqualify the transactions under the leasing provisions with the tax benefits subject to recapture. The amendments relating to bankruptcy apply to all leasing transactions executed after 5/31/82, but the rules also provide that the liberalized bankruptcy provision may be elected for transactions executed before 6/1/82. For additional information contact John Tolleris at 202/566-3829.

Delinquent taxes exceeded $15 billion in fiscal year 1980, increasing by more than $2 billion from the previous year, according to a recent GAO report, "What IRS Can Do To Collect More Delinquent Taxes". Contributing to the increase in the number and amount of tax delinquencies are: passive collection policies, inadequate use of taxpayer financial information; inefficient collection program operations; lack of management information; and limited resources; all within the IRS. GAO believes the IRS should discontinue the current installment agreement, which allows individuals to pay their taxes in installments, establish more specific guidelines for evaluating and analyzing taxpayer financial statements as well as guidelines for closing codes for accounts not collectible due to financial hardship. The IRS changes instituted to correct many of these problems will help ensure that IRS employs the most effective and efficient actions to collect the greatest amount of delinquent tax revenue in the shortest time period and help reduce the government's need to borrow to finance its operations. Copies of the report may be obtained by contacting the GAO at 202/275-6241 and requesting document GGD-82-4.

SPECIAL: CHARLES BOWSHER WILL BE KEYNOTE SPEAKER AT AABPA SYMPOSIUM

"Budgeting, Accounting, Program Analysis and Auditing: Roles and Relationships for the 1980's and Beyond" will be the keynote address by Charles A. Bowsher, Comptroller General at the 1981 Fall Symposium, hosted by the American Association for Budget and Program Analysis. Other speakers will include Senator William V. Roth, Jr. (R-DE) and Mike Causey, Washington Post "Federal Diary" Journalist.

Topics to be discussed in workshop form include: further budget reform; regulatory reform and analysis; accounting and internal controls; key management and personnel matters figuring in current Executive Branch and Congressional policy and budgeting changes; internal review and follow up; and, micromanagement in the federal government. The Symposium will be held 11/20/81, at George Washington University, Marvin Center, Washington, D.C. The registration fee is $95 for non-members, $75 for members, and $35 for full time students. For additional information contact the American Association for Budget and Program Analysis at 703/941-4300.

SPECIAL: AICPA SUPPORTS REPEAL OF RECAPTURE OF LIFO TAX SAVINGS

AICPA support for legislation that would repeal the recapture of LIFO tax savings provision of the Windfall Profit Tax Act was expressed in recent correspondence to all Members of the Senate Finance Committee and House Committee on Ways and Means. In almost identical letters to each group, AICPA Federal Taxation Divition Chairman William L. Raby stated that the AICPA believes that the recapture provision does not reflect sound tax policy and encouraged the Senate and House to consider the issue prior to 1/1/82, the date on which it would become effective. Mr. Raby went on to say that "the double taxation of unrealized appreciation in inventories is particularly offensive in that it is clearly taxing inflationary gain rather than real economic gain." Recommending Congressional hearings to conduct a full and complete study of inventory matters with a view towards simplification, Raby urged that, at a minimum, Congress defer the effective date until Congress can consider the merits of inventory reform.

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

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